



# STATE OF THE STATE ADDRESS

## GOVERNOR JANET NAPOLITANO

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PRESENTED TO THE 48<sup>TH</sup> ARIZONA LEGISLATURE  
FIRST REGULAR SESSION  
JANUARY 8, 2007



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President Bee, Speaker Weiers, Honorable Senators and Representatives, Chief Justice McGregor and members of the Supreme Court, members of Congress, tribal leaders, honored guests and my fellow Arizonans:

It is my privilege today to stand before you to report on the state of our state.

And as we reflect on our past, and think about how we build our future – I am pleased to tell you that the state of Arizona is strong.

I believe this independent, confident, growing state of ours can be even stronger. It can become the “One Arizona” that I spoke of at the inaugural – a state, and a state of mind, that fits the hopes and dreams of our people. A state where our children, and our children’s children, can thrive in an ever more challenging 21<sup>st</sup> century.

We are building this One Arizona of the future during a time of great and rapid change. It demands that we ask ourselves at every turn – why do we do things the way we do? Is that the best way or just “the way we’ve always done it”?

I believe Arizona has been, and needs to be, a state of innovation; where we don’t do the “usual” or the ordinary. A state where we recognize our problems and find new ways to fix them.

So today, I want to focus on where we go from here, where we will take Arizona in the 21<sup>st</sup> century. There are three components to this *One Arizona Plan* – the keys to making our state stronger than it has ever been:

The first key is Education...to guarantee that every young person who graduates from Arizona’s schools is truly prepared for a world of competition and innovation.

The second is Foundation. By foundation, I mean more than bricks and mortar. Foundation includes the entire physical infrastructure of our state – our transportation and water systems, the way we handle the quality of our air and our lands. It also includes the basic requirements our families depend upon – housing, health care and the quality of the places we live.

The third key is Innovation. Our success will depend upon our ability to innovate, and to come up with new solutions to age-old problems; solutions that will empower Arizona to propel itself forward. We need to cultivate and stimulate new technologies, new markets, and new approaches to the way we will grow and change.



The heart of my plan is the *One Arizona Education Initiative*.

Arizona students no longer compete only against each other; to thrive in the 21<sup>st</sup> century, they must be able to hold their own in the world. Business horizons are wider than they've ever been; jobs require more students than ever to be prepared for high-skill professions; and Arizona graduates need to be able to think through challenges and propose solutions that are creative and clear.

There are a few standards we must insist upon. Every student must enter school safe, healthy and ready to learn; every third grader must read at grade level; every eighth grader must be prepared to take and pass algebra; and every high school senior must graduate prepared for work and postsecondary education in the 21<sup>st</sup> century.

Everything we do in education must be directed toward these goals.

Let's begin with entering school safe, healthy and ready to learn. With your support, we have already instituted voluntary all-day kindergarten and extensive reforms in Child Protective Services. This year, we will also begin implementing the early childhood learning programs approved by Arizona voters in Proposition 203. Now, in addition to that work, we need to tackle the issue of health insurance for children.

Only five states have a higher rate of children without health insurance. We owe it to our children to do better – we owe it to their future. Children with health insurance perform better in school. Children with health insurance are more likely to get regular check-ups and low-cost preventive care – which means they're much less likely to visit an emergency room or end up in the hospital, which saves money. It's a good investment, but more important, it's the right thing to do.

Here is my plan: this year, we will make sure that every Arizona child under the age of 19, and whose family makes less than \$60,000 per year has affordable health care through AHCCCS and our KidsCare program.

There's one problem: we have an estimated 100,000 children who are eligible for AHCCCS or KidsCare but have never been signed up because their parents simply don't know about it. Even though one of the main places uninsured children are found is at school, we have an outdated law that keeps us from doing simple outreach there. That makes no sense. I call on you to repeal the gag rule. Let teachers talk to parents, so that our children get the health care they deserve.

Once our children are in school and healthy, we need to modernize our classroom curricula. Science and math education are lynchpins of success in the knowledge economy. Business tells us this; common sense tells us this. So let's listen. Arizona currently requires two years of math in high school – let's make it four. Let's also increase learning about technology and how to use it. Our science programs teach memorization – let's teach understanding and analysis. We set the standards, so let's set them in a way that matches our hopes and dreams, and gives our children nothing less than the very best.



The *One Arizona Education Initiative* requires four years of math, three years of science, as well as a solid grounding in language arts, civics and the fine arts. Today, I ask the State Board of Education to adopt these standards so that educators statewide can begin to bring these 21<sup>st</sup> century skills into the classroom.

From our educators, we need a new emphasis throughout our school system that encourages curiosity, discovery and invention. We want technology embedded in our schools – to enhance the learning process and to improve students’ understanding of it. We need specialized environments for students who are especially gifted or just especially interested in particular areas of study – like advanced math, bioscience, information technology, civics and language. We also need specialized environments for students who need additional help or who do not do well in a standard classroom. And we must support out-of-school time, hands-on activities – such as science fairs and robotics clubs – so that students can apply their learning in experiential ways.

To ensure that we reach new levels of readiness in our high school graduates, we need new ways to engage them in learning, to individualize their learning paths, and make sure that what they learn is aligned with the job market.

To educators, I say: we will continue to invest in K-12 education, but you must reinvent what you are doing and ensure that we are not simply repeating things the “way we’ve always done.” We must change our learning environment to match 21<sup>st</sup> century needs, and we must do so quickly.

To ensure we know how our students are doing and to detect problems early, we need to change the way we test.

It’s time to stop testing for the sake of the test; we need to use tests the way they’re supposed to be used, to measure how well a student is doing on a given subject and make sure students who need extra help get it right away. Right now, students tested in the spring don’t get results until they’re on summer vacation. Well, that kind of testing fails my most important test – the common-sense one.

There is a better way to do AIMS. We need to get results to teachers, students and parents in real-time so we can help students in real-time. Nothing else suffices.

Next, let’s tackle the age for graduation. Today, we require young people to remain in school only until they’re 16. That’s a system that made sense 100 years ago, when there were no calculators let alone computers; when doctors had no x-rays let alone genetic tests; when there was no national phone system let alone an Internet.

In those days, a high school graduate could expect to find a decent job. Those days are gone. Of jobs that pay a realistic livable wage in Maricopa County, less than two percent are available to those with only a high school diploma. Less than two percent.



My *One Arizona Education Initiative* would raise the dropout age from 16 to 18, and make funds available for tutoring, mentoring and special services to get these at-risk students back on track. The work force demands better graduates, and more of them. Let's keep these young people in school and let's give them the real skills for a real chance at success in life.

Let's turn now to our teachers. I said last year, and I repeat this year: aside from the immediate family, there is no more solid predictor of a child's classroom success than the presence of an excellent teacher.

We made progress last year by providing raises for our teachers; but we have much more to accomplish. Nobody's ever going to get rich as a teacher – that's not why people choose public service – but nobody should have to go poor as a teacher.

As part of the *One Arizona Education Initiative*, I propose that, for this year, we install a statewide minimum starting teacher pay of \$33,000; that we provide raises beyond that; and that we offer additional salary incentives for teachers in areas where we especially need them.

Those incentives should attract teachers who are sharp in the areas we expect them to teach. And to keep sharp teachers – of any subject – in the classroom, we need to reward them for their performance, mentor them and provide continuing teacher education statewide.

I propose, in this initiative, a package of financial incentives to find, train and keep teachers who can successfully create a cutting-edge learning environment for their pupils.

That environment includes the buildings themselves. At the rate we're growing, we're going to have to build more schools, build them faster and build them better. School campuses should be appropriate settings for students to learn and grow. No student should become a lost number isolated from teacher interaction. That is why I have – by executive order – asked the director of the School Facilities Board to work with school districts to build schools for the future, thereby providing an educational environment for our children to learn and compete in the 21<sup>st</sup> century.

Finally, we must raise expectations for our students. As I've said, graduation from high school is no longer good enough; students need training beyond that, be it technical education, community college or university study. Our challenge is to keep that advanced education accessible, affordable and excellent. To that end, in my budget, I will propose the highest-ever general fund contribution to state financial aid, especially in light of recent tuition increases.

Excellent teachers are as important at the college level as they are in elementary and high school; so I will also propose increased funding to allow our universities to recruit and retain world-class faculty, and to graduate more students faster.

My budget also will include additional funding for the biomedical campus in Phoenix. This funding will put us in a position to generate new doctors more quickly and tie the medical school in with key biomedical research and education initiatives, including the University of Arizona's College of Pharmacy, Northern Arizona University's Allied Health Program, and an expanded telemedicine program for our rural areas.



We will also create a new college of construction to educate the next generation of construction managers we so desperately need.

With such significant investment in our universities, I expect accountability. Our universities must continue to increase the number of graduates, especially in the areas we need most: teachers, health care professionals, engineers, researchers... the list goes on.

With this *One Arizona Education Initiative*, the return on our investment will be profound. In the innovation economy, knowledge is everything and the modern school is its crucible. Our schools must be exciting, and driven by a new ethic of discovery and curiosity. They will be led by teachers who are highly regarded and well compensated, and they will produce graduates that will thrive in an economy where creativity, ingenuity and adaptation are the rules of the game.

For this vibrant, new education system to flourish, we must have strong communities to support it. We must be vigilant in our work to ensure that rapid growth is smart growth.

So let's turn now to Foundation.

Arizona is growing, developing, and changing at such a rapid pace it would be hard to imagine if we weren't experiencing it. Since 1990, our population has already grown by 65 percent – and it's expected to nearly double again in just over 20 years. By the time I finish this speech there will be 20 new Arizonans. And population growth is just one part of the change we're experiencing: our economy is poised for a similar transformation, from one that relies on labor and sunshine, to one that runs on knowledge and innovation.

To create the bedrock that will support our 21<sup>st</sup> century communities and economy, I am proposing a series of strategies that will build and protect what we call "infrastructure." But I want you to think of that word in a larger sense. It includes roads, water supply and land preservation; it also includes housing, health care and careful, coordinated growth planning.

I'll begin with transportation, and how we get from point A to point B.

As I've said, Arizona is the fastest growing state in the Union. And although we cut taxes last year, there is still one that needs to go: it's the "time tax" we pay, every time we sit, stuck in traffic that should be moving.

It's an especially onerous price to pay because it cuts into what we value most: our time with our families, our friends – time spent at home, in our communities.

Last year, we agreed to direct an additional \$300 million toward accelerating highway construction. With these new monies, we've been able, for example, to speed up work on new lanes for I-17 north of Phoenix, and on I-10 in Pima and Pinal counties.

Now, by changing the way we finance the terms of existing bonds – as many states already have done – we can raise money this year for critical transportation projects, and do even more. By simply extending the terms from 20 to 30 years, we will free up more than \$400 million above



our current budget to relieve traffic congestion. I ask this legislature to support this idea and cut the time tax.

We also need to explore transportation innovations. Today, I am directing the Arizona Department of Transportation to provide for us, within the next 90 days, a list of options for mass transit – including commuter rail and light rail – so that this can be part of our transportation planning as we grow.

With our population growth, water management is essential. This legislature should pass laws giving our counties and cities tools to incorporate more water planning into their growth decisions. You should give local communities the ability to restrict wildcat subdivisions, to limit development where there is no assured water supply, and to address the problem of exempt wells.

My budget continues the assistance and research provided through the new Arizona Water Institute. Part of that research should be continued innovation in water conservation techniques and technologies. And we will continue to fight for our fair share of Colorado River water.

To make sure our fast-growing communities can afford the water infrastructure they need, I am issuing an executive order directing the Departments of Environmental Quality and Commerce to provide longer-term, 30-year financing through a partnership between the Water Infrastructure Finance Authority and the Greater Arizona Development Authority. This approach will save communities millions in interest payments, while providing safe drinking water and protecting our precious water resources.

We must also aggressively protect the quality of our air.

More people mean more development and more traffic, which has a bad effect on air quality. In Arizona last year, there were more pollution warnings issued than ever before. Anyone who suffers – or has a child who suffers – with asthma, knows how bad that can be.

Last year we took several big steps in the right direction. For the first time ever, we now have state rules to control hazardous air pollution emissions and mercury emissions. I signed the Climate Change Executive Order to fast-track Arizona toward reducing greenhouse gas emissions. It's aggressive, because we need to be...by 2020, those gases – unchecked – could easily double, beyond 1990 levels. Because of that order, all new state vehicles must now meet low greenhouse gas standards or use E-85 fuels. Weights and Measures is working on new standards for fuels – like biodiesel blends – that will help clear the air. And my Climate Change Executive Committee has been charged with implementing specific steps to reduce greenhouse gas emissions by 2012. Every step we take toward greater fuel efficiency, and using different types of fuels, takes us closer to reducing our dependency on foreign oil.

To build on that progress, today I have signed a new executive order requiring the state to take further, concrete steps to improve air quality. It demands, among other things, that all projects on state property reduce the amount of particulates and ozone causing pollutants they release into





the air. And now, when the state enters into new contracts involving the use of heavy equipment, incentives will go to those contractors that use newer clean fuel technologies.

In addition to protecting our air quality, we must also protect our access to open space, particularly in our urban counties. Without state trust land reform, our ability to protect these lands for their conservation values may be in question. We need time to find the answers. In the meantime, let me assure those communities that have reclassified trust lands under the *Arizona Preserve Initiative*: we will not move those lands to market for other than conservation purposes without local consent.

We also must address our health care infrastructure. Last year, I spoke to you about the need to increase the number of doctors and nurses working in Arizona. The problem remains acute, particularly in the rural parts of our state.

One answer is to grow our own doctors and nurses. We've made a good start with the new medical school and expanded nursing programs across the state. Indeed, Arizona State University now is home to the largest nursing school at any public university in the country. We've also learned that doctors tend to stay in the place where they trained. So, to attract doctors here, I propose increasing our total investment in Graduate Medical Education to \$44 million. It's a smart way to draw more physicians to Arizona during their residencies, which in turn should mean more doctors where we need them.

There are licensing issues that can be difficult for doctors to navigate when they move here. Today, I am directing AHCCCS to create a new physician recruiting office to give them a hand. I ask this legislature to pass "prompt-pay" legislation, so we can fund this office with the increased fines on health insurance companies that don't pay claims on time. It's a good deal: no new money and a great positive payoff.

To round out this work on our foundation, we need to offer housing that is within reach, both geographically and financially.

Strong communities build up around family homes. But for young families, getting into that first house is becoming harder and harder to do. We need to put home ownership within their reach.

I have directed the Arizona Department of Housing to increase financial assistance to first time rural homebuyers through our Homes for Arizonans program. I have also allocated another \$1 million to find creative housing solutions at the center of our communities, rather than further sprawl at the edges.

We will also double our investment in Homebuyer Education, including an online version. For most people, a home is the biggest investment they'll ever make. By providing them with home buying and home maintenance skills, we reduce the chance of foreclosure by 20 percent.

We've done a great deal of work to build and rehabilitate homes on tribal land. This year, I've set aside another \$2.5 million for tribal housing needs statewide.





Collaboration with tribes on growth issues is essential to our success. Not long ago, several Arizona tribes – Ak Chin, Gila River, Fort McDowell and Salt River – thought of themselves as rural tribes. Today, they face development on all sides. And their decisions and ours must be aligned.

These growth issues – transportation, water, public lands and more – are complex issues that need a comprehensive, coordinated approach. Last year, I created the “Growth Cabinet” – a group that includes the directors of agencies that deal with growth-related issues. Now, by executive order, I am expanding the scope of my Growth Cabinet.

It is now their job to ensure that all agencies of state government are working together on critical growth issues – for example, creating a water development fund for rural Arizona, and ensuring that infrastructure is built in a manner that contemplates the effects of development on our water quality, air quality and wildlife.

More than that, the Growth Cabinet will work with cities, towns, counties and tribal communities so that our efforts build on each other’s. Today, I have directed the Growth Cabinet to develop – within 120 days – an implementation plan for a smart growth and development process. Future state discretionary funds will be made available only to local governments that agree to participate in this process. This condition applies to the additional \$400 million for highway construction that I have proposed today.

As I’ve traveled Arizona, I have heard from thousands of you expressing the same message – the way we grow has to change. You live, work and educate your children in communities that are growing so rapidly they do not have the necessary infrastructure to create the quality of life that you demand and that you expected when you made Arizona your home.

For example, one community got a new school; what they didn’t get was a road to get to the school. That has to stop, and the measures I have just outlined are designed to do that.

Face it; Arizona is going to continue to grow. The question is how we grow so that we Arizonans have a high quality of life.

Let’s turn now to the third key to our future: Innovation.

Nothing will be more important to our success than our ability to innovate – to wonder, then imagine; to invent, then to build.

We’ve done a lot to enhance innovation over the last four years. We’ve cut taxes to encourage investment in new businesses and technologies and to encourage existing businesses to expand in Arizona. And we’ve invested in research and development that is focused on using technology to make a difference in people’s lives.

But innovation, by definition, is a what-have-you-done-for-me-lately discipline. You don’t get to stop and rest on your laurels – if you do, somebody else is going to innovate you out of business.



In the coming year, our job is to magnify Arizona's innovation capacity – we're going to lay a foundation that will increase our ability to create and lead the industries of the future. To do that, we have to invest in community infrastructure and local business development so we create an environment that attracts high-wage businesses, allows thinkers and entrepreneurs to flourish, and cultivates success.

It was my honor, recently, to be selected by my Republican and Democratic peers alike, to serve as chair of the National Governors Association. As chair, I am leading an effort by the nation's governors to develop ideas and strategies that will strengthen America's ability to innovate and compete. The best part about this effort is that it enables me to showcase Arizona and Arizona's innovations because we are doing so much right here at home. But I am also picking up some good ideas from across the country that we can and should consider here. Some of them are part of my plan to take Arizona to the next level – a plan I call *Innovation Arizona*.

The cornerstone of *Innovation Arizona* is a *Global Competitiveness Innovation Initiative* that will focus on expanding access to high-tech, high-wage success.

First, we need a different economic and job creation strategy – making sure “different” means “better” and “globally competitive.” The essential factors must be integration, coordination, flexibility and strategic focus. We must modernize the Department of Commerce and develop a coherent investment strategy. The result should be an Arizona that attracts and creates jobs in innovative, high-growth industries, expands global investment and trade, and supports strategic research and development.

Second, we will begin to restore Arizona's innovation investment fund. The Commerce and Economic Development Commission has a strategic investment fund that has been used to pay for the agency's operations rather than to jump start businesses across our state.

Product development cycles are moving so much more quickly today than ever before, which means start-ups and existing businesses alike need to train workers just as quickly and modify infrastructure in order to keep up. Small and rural communities, in particular, are hard-pressed to stay ahead of the latest developments as they diversify their economies. But the right investment at the right time can make all the difference and can literally be the difference between the creation of the next Microsoft and an inventor whose product never leaves the drawing board in his garage. That's why it's time for us to put the CEDC investment fund back in business. Let's make sure every Arizona inventor or small business has access to the capital needed to make sure the birthplace of the next Microsoft is right here at home.

Third, we will launch a global effort to bring new high-wage jobs to Arizona by attracting non-U.S. based companies to locate or expand their operations here. Jobs associated with international trade and foreign investment pay more. Arizona has some of the most highly skilled workers in the world coupled with a business climate that is second to none. Our research institutions are leading the way in stem cell research, genomics, optics, water technology and more.



Together, that makes Arizona a nearly irresistible destination for foreign investment. But right now, the international business community doesn't know us very well. Here's what I have to say to the world – it's time to wake up to an Arizona that's leading the nation in innovation. We'll send this message by developing a global brand for our state. We're going to take it on the road – and to the air – to bring business and foreign investment home. Call it *in-sourcing*.

Finally, *Innovation Arizona* is going to continue to build on the work we've begun to transform Arizona into a center of research by continuing the necessary funding to foster Science Foundation AZ to success.

Education, Foundation, Innovation – it is a roadmap to a successful 21<sup>st</sup> century Arizona. It is more than achievable; it is essential, as we continue to move Arizona forward. Every item I have mentioned today – every initiative, every plan – can be accomplished without raising taxes one thin dime. It is my job to present a balanced budget to this legislature, and later this week, I will do that – just as I have done for each of the past four years.

It's important to remember that as we work on this formula for One Arizona, we must continue the important work we have already begun.

We've tightened our border by asking the federal government to pay for National Guard presence there. Today, Operation Jump Start is working, and I thank Congress and President Bush for their support.

But, don't forget the security of the international border is the job of the federal government, and Congress has not yet completed the necessary comprehensive reform of our immigration system that we so desperately need.

For that reason, we can't let up on the border initiatives we've begun – and that are working – in Arizona.

There are three things human smuggling rings rely on more than anything else: stolen cars, fake IDs and gangs. The Department of Public Safety Auto Theft and Homeland Security Fraudulent Document task forces have been integral to our success over the last four years, and it's time to expand their numbers and their reach.

I'm very proud that the state Department of Public Safety has pioneered the use of advanced License Plate Reader technology that vastly improves our ability to detect the stolen vehicles used by human smugglers – and arrest the criminals who are driving them, often preventing additional crimes in the process. I propose that we expand the license plate reader program so it becomes a tool for crime fighting in every part of the state.

We are also going to use millions of dollars in federal funds to equip our borders and border guards with the latest detection technology, including new radars and new sensors. We will continue to expand the reach of GIITEM to attack the gangs plaguing our border communities. We are modernizing our crime labs so that the science of DNA will remove any shelter for criminals.



Unfortunately, all the work we do to secure our borders will never protect our people from threats inside their own homes. When domestic violence casts its shadow over a home, the first thing we must do is offer its victims somewhere safe to go.

Last year, I asked all of you to join me in a simple vow, to say that here in Arizona, every person who seeks shelter will find a home. Let's continue our work to guarantee that when someone is fleeing the terrible threat of a violent family hand, we offer nothing but open arms. For this reason, my budget includes funding to continue to expand our shelter capacity.

Next, we will continue our work to protect Arizona's seniors. The number of Arizonans over the age of 85 is going to double in the next 15 years; already, thousands of Arizona's citizens receive long-term care because of age or disability. Most of the facilities and caregivers in our state provide wonderful, attentive, and compassionate care; yet, there are still too many incidents of abuse and neglect.

Today, I have issued an executive order to crack down on long-term care abuse and neglect, and reward facilities that provide the best care. We will focus on nursing homes in the first year, where the risk of a problem going unnoticed by a family member or a friend is greatest, followed by assisted living in the second year, and community care in the third. We will also make sure the public is informed. By July of this year, we will post quality ratings – on my Web site – for every nursing home in the state.

And as we think of our seniors, let's not forget our veterans who have served their country. My budget includes funding to continue to increase the numbers of Veterans Benefits Counselors, so we can ensure that the men and women of our military receive all the help they deserve and have earned.

This ongoing work – combined with Education, Foundation and Innovation – is my vision for the Arizona of the future. The things I have outlined are not extravagances; they are necessities for a rapidly growing state. And while this plan recognizes strategic investment, it also continues the permanent tax cuts we passed last year and keeps our rainy day fund intact.

It is a privilege to be allowed to serve Arizona for another four years. When I was inaugurated to my first term in 2003, the theme of that day was "Many Lands, Many People, Many Faiths...One Arizona." Last week, I spoke about "Reflecting on Our Past, Building for Our Future." Today, I see that One Arizona in my mind and believe it in my heart.

Like so many of you, I made the decision to come here – to this extraordinary place of innovation, opportunity and natural beauty – and to make it my home.

Many more people are joining us; let's welcome them, and be careful and smart about how we make way for them. We are stewards. This place of exceptional beauty is not ours to own, it is only ours to care for, for the time that we are here.

Let's do it well, together. It is One Arizona; it is Our Arizona. Thank you.